

## Message Text

CONFIDENTIAL

PAGE 01 SANA 04523 281400Z  
ACTION NEA-10

INFO OCT-01 EA-07 ISO-00 EUR-12 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-07 COME-00 TRSE-00 AID-05 IGA-02 OMB-01  
SIL-01 LAB-04 /095 W  
-----281411Z 010187 /43

R 281200Z DEC 76  
FM AMEMBASSY SANA  
TO AMEMBASSY JIDDA  
INFO SECSTATE WASHDC 9945  
AMEMBASSY SEOUL

C O N F I D E N T I A L SANA 4523

E.O. 11652\$ G

TAGS: PFOR, YE, KS  
SUBJECT: ECONOMIC ASSISTANCE TO YEMEN

REF: (1) JIDDA 6934; (2) SNA A-35

SUMMARY: FOLLOWING SUMMARIZES INFORMATION REQUESTED BY KOREAN  
EMBASSY JIDDA RE AID TO YAR FROM VARIOUSDONORS. ALSO PROVIDES  
BACKGROUND ON FOREIGN INVESTMENT IN YAR.

1. A. BEST WAY TO CHARACTERIZE LEVEL OF ECONOMIC ASSISTANCE  
FROM USSR TO YAR IS: SLOWLY DIMINISHING AND NO FLOW-THROUGH.  
BEST ESTIMATE OF TOTAL SOVIET AID 1956-1976 IS \$104 MILLION.  
IN ADDITION, BULGARIANS, CZECHS, HUNGARIANS AND EAST GERMANS  
WERE MOVED TO PROVIDE ABOUT \$13 MILLION IN SAME PERIOD.  
SUMBER OF SOVIET EXPERTS AT PRESENT IS 150-200. ONLY  
IMPORTANT NEW AGREEMENT SIGNED IN 1976 WAS PROMISE TO EXPAND  
CEMENT PLANT FROM 50,000) 59 250,000 TON CAPAICITY. SINGLE  
LARGE ON-GOING PROJECT IS WADI SARDUD AGRICULTURAL PROGRAM.  
RUSSIAN ADVISORS ALSO PRESENT AT HODEIDAH PORT. DOCTORS AND  
MEDICAL TECHNICAIAANS AT WORK IN SANA, HODEIDAH AND  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SANA 04523 281400Z

TAIZ HOSPITALS -- WITH UNFLATTERING RESULTS.  
B. TRADE FIGURES WITH USSR FOR FY 1975 (JULY TO  
JUNE) ARE MIXED: (FIGURES IN MILLIONS)  
FY 74 FY 75 PERCENT OF MARKET  
EXPORTS TO USSR \$.27 \$.22 2.5  
IMPORTS FROM USSR \$4.7 11.3 5(SAME AS FY74)

C. GREATEST JOLT TO SOVIET ASPIRATIONS IN YEMEN  
WAS PROBABLY JUNE 1976 COMMITMENT FROM SAUDIS TO SUHYLY  
\$139 MILLION IN ARMS TO Y.A.R. UNTIL THEN, USSR WAS  
PRINCIPAL ARMORER FRO YEMENIS.

2. A. CHINESE (PRC) - YEMENI ECONOMIC RELATIONS  
ARE WARM -- REFLECTING THOSE OF POLITICAL REALM.  
CHINESE BELIEVED TO HAVE ABOUT 400 WORKERS  
IN COUNTRY, ALTHOUGH MANY AOE SEMI-SKILLED. POST HAS  
NO GOOD ESTIMATE P TOTAL PRC AID; NO AGREEMENTS WERE  
ANNOUNCED DURING PAST YEAR. MAJOR CURRENT PROGRAMS ON  
WHICH CHINESE AT WORK ARE:

(A) 230- KILOMETER SANA-SA'ADA HIGHWAY;  
THREE QUARTERS COMPLETE.

(B) 86-KILOMETER AMRAN-HAJJA ROAD.

(C) CONSTRUCTION OF NEW TEXTILE FACTORY  
AT HODEIDAH.

(D) FINAL STEPS IN 400-BED TAIZ HOSPITAL.

B. CHINA'S TRADE WITH YEMEN GREW CONSIDERABLY  
IN FY 1975: (FIGURES IN MILLIONS)

	FY 74	FY 75	PERCENT OF MARKET
EXPORTS TO PRC	\$ .7	\$4.9	43
IMPORTS FROM PRC	\$6.8	\$25.0	---

(CHINESE PURCHASES MOSTLY COTTON AND SEEDS.)

3. NORTH KOREA-YEMEN RELATIONS ARE NOT STRONG IN ANY  
SPHERE, DESPITE CHINESE ENCOURAGEMENT. SMALL AMOUNT  
OF ECONOMIC ASSISTANCE LIMITED TO HEALTH CLINIC AT  
DAMMAR AND VEHICLE REPAIR FACILITY AT HODIEDAH.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SANA 04523 281400Z

A \$700,000 GIFT WHEAT SHIPMENT HAS ARRIVED. PRK  
BELIEVED TO HAVE VERY FEW AID PERSONNEL IN YEMEN.  
THEY ALSO SENT SOME TRACTORS, WHICH DON'T WORK WELL,  
AND A MUSICAL INSRUCTOR, WHO IS TERRIBLE.

4. A. U.S. AID GRANT TO YEMEN FOR 1976 WILL REACH  
\$16 MILLION. USAID AND PEACE CORPS HAVE ABOUT 80  
EXPERTS AND VOLUNTEERS IN COUNTRY. (UN HAS 200.)  
THE EXPANSION OF THE TAIZ WATER AND SEWAGE PROJECT IS  
USAID'S MAJOR PRESENT EFFORT.

B. U.S. TRADE WITH YEMEN IS ONE-SIDED:  
(FIGURES IN MILLIONS)

	FY 76	FY 76
EXPORTS TO U.S.	\$ .2	\$ .1
IMPORTS FROM U.S.	\$4.0	\$10.0

5. WEST GERMANY HAS HAD THE LARGEST WESTERN AID EFFORT  
IN THE YEMEN. TWO OF MOST VISIBLE AND WELL-RECEIVED

PROJECTS ARE SANA INTERNATIONAL AIRPORT -- UPENED IN 1973, AND THE SANA8TAIZ HIGHWAY BUILT UNDER A LOAN AGREEMENT FOR ULTIMATE COST OF DM 90 MILLION. FRG IS AHIO FUNDING AN EXPERIMENTAL FARM AT SANA, A TELEPHONE IMPROVEMENT EFFORT, A SMALL MEDICAL CLINIC IN SANAQN AND A GEOLOGICALRUURVEY TEAM.

6. IN 1974/75 ECONOMIC ASSISTANCE FROM GREAT BRITAIN TO YAR AMOUNTED TO 500,000 POUNDS STERLING, THIS SUM SUPPORTED TWELVE MEMBERS OF THE BRITISH VOLUNTEER PROGRAM, AN ECONOMIC SURVEY TEAM, AND A SMALL GROUP OF VETERINARIANS.

7. FRANCE HAS A MINIMAL ASSISTANCE EFFORT, CONSISTING OF A FEW SCHOLARSHIPS, SOME FRENCH LANGUAGE TEACHERS, AND A SMALL NUMBEROF RELIGIOUS VOLUNTEERS.

8. YEMEN CURRENTLY RECEIVES A TOTAL OF BILATERAL AND CONFIDENTIAL

CONFIDENTIAL

PAGE 04 SANA 04523 281400Z

MULTILATERAL FOREIGN ASSISTANCE OF \$150 MILLION/YEAR. YARG IS ATTEMPTING TO CAPITALIZE ON THE HELP IN A NUMBER OF WAYS, NOT ALL OF WHICH ARE SUCCESSFUL -- AS OF YET. INDUSTRY STILL ACCOUNTS FOR ONLY 2 - 3 PER CENT OF THE TOTAL GDP. FOREIGN INVESTORS HAVE NOT RUSHED IN DESPITE PASSAGE OF A LIBERAL FOREIGN INVESTMENT LAW (DETAILS OF LAW NUMBER 18 ARE FOUND IN SANA A-35 OF OCTOBER 30, 1976).

9. THE FIGURES FOR THE YEMENI FOREIGN DEBT ARE ANOMALOUS. EXTERNAL PUBLIC DEBT FOR FY 76 IS ESTIMATED TO BE \$280 MILLION, BUT YEMENIS ARE REFUSING TO PAY ANY OF SOVIET AND EAST BLOC DEBT. BALANCE OF TRADE WILL BE MINUS \$360 MILLION. BUT BALANCE OF PAYMENTS (CURRENT ACCOUNTS AND TRANSFERS) WILL SHOW A FAVORABLE BALANCE OF \$80 MILLION. THE ANSWER, OF COURSE, IS \$600 MILLION IN REMITTANCES FROM YEMENIS WORKING IN THE GULF, SAUDI ARABIA, AND THE UNITED STATES. THIS ASSET CONSITUTES THE COUNTRY'S CHIEF PROP AND ONE OF THE GOVERNMENT'S GREATEST CHALLENGES -- SINCE LITTLE OF THIS MONEY REACHES THE PUBLIC COFFERS.

10. QUESTION OF WHAT AID ROK MIGHT PROVIDE SHOULD PROBABLY START FROM OCT. 75 ROK COMMITMENT TO BUY 50,000 TONS K ROCK SALT IN EACH OF NEXT THREE YEARS. AT SAME TIME (OCT. 75) ROK OFFERED TO PROVIDE 100 SEWING MACHINES AND HELP IN SETTING UP SMALL CLOTHING FACTORY. THEY HAVE ALSO OFFERED SEVEN COCA-

TIONAL TRAINING SCHOLARSHIPS. WE ALSO UNDERSTAND THAT  
ROK AND YAR HAVE LONG SINCE AGREED TO OPENING OF  
EMBASSIES, AND YAR EXPECTED THIS MOVE IN SPRING OF  
THIS YEAR (1976). JOINT VENTURES, IN WHICH YAR ALSO  
INTERESTED, HAVE ALSO BEEN DISCUSSED BY PREVIOUS ROK  
MISSIONS TO SANA, AND NO FURTHER EXPLORATION IS NEEDED  
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 SANA 04523 281400Z

IN THIS FIELD. TO COVER THEIR INVESTMENT INSTILL  
IDLE ROCK SALT FACILITY IN SALIF, YARG IS TALKINGABOUT  
SALT PROCESSING PLANT THERE. THEY WANT ALSO TO DEVELOP  
PORT OF SALIF. IF KOREANS WANT TO MOVE AHEAD HERE,  
THEY SHOULD COME WITH PROJECTS AND DETAILED  
PROPOSALS IN HAND. THERE HAVE BEEN TOO MANY EXPLORATORY  
MISSION.

11. LAWS WRITTEN RECENTLY IN YAR ARE DESIGNED TO  
ATTRACT AND PROTECT FOREIGN INVESTMENT AND REFLECT  
HIGHLY FAVORABLE VIEW OF MARKET SYSTEM. IN ADDITION  
TO TAX AND CUSTOMS EXEMPTIONS FOR INITIAL YEARS OF A  
FACTORY, THERE ARE NO RPT NO EXCHANGE CONTROLS, NO  
AGENT REQUIREMENTS, NO STRIKES PERMITTED AND NO REAL  
PROBLEMS WITH RESIDENCE OR ENTRY VISAS FOR FOREIGN  
MANAGEMENT.  
SCOTES

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, INFORMATION CONTROL  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976SANA04523  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** DG ALTERED  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760473-1178  
**From:** SANA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t1976129/aaaaahwz.tel  
**Line Count:** 198  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 JIDDA 6934  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 JUN 2004 by ShawDG>; APPROVED <30 SEP 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC ASSISTANCE TO YEMEN  
**TAGS:** PFOR, YE, KS, UR  
**To:** JIDDA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006